

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1162 - SB 1167

March 5, 2009

SUMMARY OF BILL: Exempts from state sales tax clothes washers, air conditioners, programmable thermostats, incandescent or fluorescent light bulbs, light fixtures and refrigerators having the Energy Star designation which are purchased by commercial building contractors for the use and installation in newly constructed residential homes.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$13,402,200

Decrease Local Revenue - \$645,100

Assumptions:

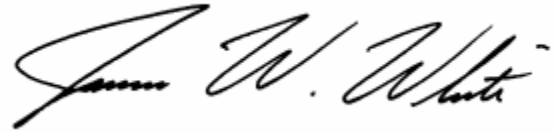
- Energy Star qualified product means a product that meets the energy efficient guidelines set by the United States Environment Protection Agency and the United States Department of Energy designating products that are authorized to carry the Energy Star label.
- Based on information provided by the Department of Revenue (DOR), and based on information obtained at www.energystar.gov, the products meeting Energy Star standards include, but are not limited to, household and commercial appliances, home electronics, lighting, food service equipment, and office equipment.
- According to DOR, and based from the sales and use tax return abstract, taxable sales of Energy Star products in Tennessee are estimated to be \$8,027,000,000 for FY09-10.
- Twenty-five percent of taxable sales are purchased by commercial building contractors (\$2,006,750,000).
- Ten percent of such taxable sales purchased by commercial building contractors are for the specific items identified in this bill (\$200,675,000).
- The current state sales tax rate is seven percent.

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- The decrease of state sales tax revenue is estimated to be \$14,047,300 per year ($\$200,675,000 \times 7.0\% = \$14,047,250$).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), incorporated municipalities receive 4.5925 percent of state sales tax revenue as state-shared sales tax revenue.
- The decrease of state-shared tax to local government is estimated to be \$645,100 per year ($\$14,047,300 \times 4.5925\% = \$645,122$).
- The net decrease to state revenue is estimated to be \$13,402,200 per year ($\$14,047,300 - \$645,100 = \$13,402,200$).
- This bill does not exempt such purchases from local option sales tax. As a result, there will be no decrease to local option sales tax revenue.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc